## Message Text

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R 160112Z SEP 77 FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 5043

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E.O. 11652: N/A TAGS: BTIO, MX

SUBJECT: GOM AGENCY SEEKING DIRECT PURCHASING ARRANGEMENTS

- 1. OVER THE PAST SEVERAL WEEKS THE DIRECTOR OF THE MEXICAN SOCIAL SECURITY INSTITUTE (IMSS), ARSENIO FARRELL, HAS CALLED IN THE US, GERMAN, DUTCH AND FRENCH COMMERCIAL COUNSELORS. EACH HAS BEEN INFORMED THAT IMSS WISHES TO PURCHASE DIRECTLY FROM FOREIGN SUPPLIERS OF MEDICAL EQUIPMENT RATHER THAN THROUGH LOCAL DISTRIBUTORS. THE REASONS ADDUCED WERE DECREASED COSTS, IMPROVED MAINTENANCE ASSISTANCE AND PROVISION OF SPARE PARTS. FARRELL IMPLIED TO US THAT IMSS WOULD BE PREPARED TO SHIFT ALL MEDICAL EQUIPMENT PURCHASES TO US SUPPLIERS IF DIRECT ARRANGEMENTS WERE WORKED OUT. THERE WAS APPARENTLY NO MENTION OF THIS POSSIBILITY IN HIS CONVERSATIONS WITH OTHER EMBASSIES.
- 2. WE REPLIED THAT ANY SUCH ARRANGEMENTS WOULD OBVIOUSLY BE UP TO THE COMPANIES CONCERNED AND IN MANY CASES WOULDV INVOLVE CONTRACTUAL AND OTHERPROBLEMS WITH THEIR PRESENT DISTRIBUTORS. WE AGREED, HOWEVER, TO ASSIST IMSS TO GET IN TOUCH WITH US SUPPLIERS IF WE WERE INFORMED WHICH ONES IMSS WAS INTERESTED IN. TO DATE WE HAVE HAD NO FURTHER WORD FROM IMSS ON THE MATTER, ALTHOUGH WE WERE PROMISED THAT SUCH A LIST WOULD BE FORTHCOMING WITHIN A FEW DAYS.

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- 3. THE GERMAN COUNSELOR TELLS US THAT HE IS DISINCLINED TO COOPERATE AND HE BELIEVES THE DUTCH AND FRENCH ARE STALLING BUT ALSO UNENTHUSIASTIC.
- 4. COMMENT: IMSS IS THE MAJOR CUSTOMER FOR MEDICAL EQUIPMENT IN MEXICO, BUYING ABOUT 1 BILLION PESOS ANNUALLY, VIRTUALLY ALL OF IT IMPORTED, SO ITS BUSINESS IS IMPORTANT.

WHILE THERE APPEARS TO BE RELUCTANCE ON THE PART OF THIRD-COUNTRY SUPPLIERS TO GO ALONG WITH IMSS ON THIS, THERE IS ALWAYS THE TEMPTATION TO COOPERATE IN THE INTERESTS OF CAPTURING NEW BUSINESS. DIRECTOR FARRELL HAS A RECORD OF ERRATIC BEHAVIOR AND WE ARE UNCERTAIN HOW FAR HE INTENDS TO PRESS THIS OR WHAT THE SCOPE OF THE PRODUCTS WILL BE, IF HE DOES. THE EMBASSY WILL FOLLOW THE MATTER AND REPORT SIGNIFICANT DEVELOPMENTS. LUCEY

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